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R 161505Z MAY 06
FM AMEMBASSY MAPUTO
TO RUEHC/SECSTATE WASHDC 5385
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHLMC/MILLENNIUM CHALLENGE CORP 0041
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

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SIPDIS

SIPDIS

AF/S FOR HTREGER AND JMALONEY
JOHANNESBURG FSC FOR RDONOVAN
JOHANNESBURG TDA FOR DSHUSTER
USDOC FOR RTELCHIN
MCC FOR SGAULL
USAID FOR AA/AFR AND AFR/SA

E.O. 12958: N/A

TAGS: [ECON](#) [EAID](#) [EINV](#) [ETRD](#) [MZ](#)

SUBJECT: Mozambique: April Economic Digest

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¶1. This is a brief summary of significant economic developments in Mozambique during April 2006. We provide it as a supplement to our other reporting. The items discussed are:

- IMF Completes 4th PRGF Review Mission
- GRM and Donors Conclude Joint Review
- Mozambique/South Africa Cooperation in Agriculture
- KFW Grants 12 Million Euros for Tertiary Roads
- Mozambique's National Social Security Institute to Restructure
- Maputo Concessionaire Adds New Shareholder

IMF Completes 4th PRGF Review Mission

¶2. In early April the IMF presented the result of its 4th review mission under Mozambique's current Poverty Reduction and Growth Facility (PRGF) arrangement. The IMF's overall assessment was positive. The IMF considers Mozambique's 2005 economic performance generally good, the fiscal outcomes better than previous years and is happy with monetary policy benchmarks. One benchmark concern was with decentralization - the IMF feels that a timetable with future steps needs to be developed. Another was progress on public sector reform, where the IMF concluded there must be a move from strategy and planning to actual action. GDP growth is predicted to be 7.9 percent in 2006 and thereafter at 7 percent. The current PRGF arrangement expires in July 2007. The IMF currently anticipates that Mozambique will graduate to another arrangement, the Policy Support Instrument (PSI), upon expiration of the current PRGF. In the region, Uganda already has a PSI and Tanzania is also moving in that direction.

GRM and Donors Conclude Joint Review

13. On April 13 the GRM and the 18 donors who supply money directly to the budget concluded a 45-day long joint review of the government's performance in 2005, judging the performance as positive, according to press reports. Budget support donors so far have promised approximately USD 300 million in support for 2006. Outgoing chairperson of the donor group, Swedish Ambassador Maj Inger Klingvall said that as a result of the positive assessment, the donors would be recommending continued budget support in 2007. But she noted that donors were disappointed that the government failed to reach a number of 45 jointly agreed targets, particularly in the area of good governance. Here, eight of 13 targets were missed, including ones on public sector reform and fighting corruption. Despite stressing "strong political will" at the top, she claimed "implementing machinery has not taken off."

Mozambique/South African Cooperation in Agriculture

14. On April 12, at a joint press conference in Maputo, Mozambique and South Africa's Ministers of Agriculture announced a new bilateral cooperation agreement in agricultural training and research. According to Mozambique's Agricultural Minister, Tomas Mandlate, Mozambicans technicians will be sent to South Africa to learn how to mechanize agriculture at low cost. Meanwhile a pilot program on low cost mechanization is to be started in Moamba district of Maputo province by the end of the month, he added. Cooperation will also include work on electronic registration of livestock.

KFW Grants 12 Million Euros for Tertiary Roads

15. KFW, the German development bank, granted 12 million Euros for the building and maintenance of 277 kilometers of

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tertiary roads in the southern Mozambican province of Inhambane. The Mozambique Road Fund will contribute an additional USD 2.4 million. The undertaking, to build tertiary road and create a system for ongoing maintenance, is predicted to start this fall and take approximately 18 months.

Mozambique's National Social Security Institute to Restructure

16. Armando Muiuane, Chairman of Mozambique's National Social Security Institute (INSS), stated on April 6 that the INSS intends to complete a full economic and financial assessment of all of its assets. This assessment is part of a restructuring already underway. Labor Minister Helena Taipo appointed Muiuane as part of a shake-up of the Institute last August, with his predecessor dismissed over corruption allegations. Restructuring priorities include modernization and use of computers, as well as collection of outstanding debts owed by companies.

Maputo Concessionaire Adds New Shareholder

17. The South African shipping company, Grindrod, recently joined as a shareholder in the Maputo Port Development Company (MPDC). MPDC currently holds a 15-year concession to operate the Port of Maputo. Grindrod purchased 12.24 percent of the consortium. A remaining 38.76% is held additional foreign investors and 49% by Mozambique's rail and port parastatal, CFM, and private Mozambique investors.

La Lime